

September 12, 2000

PUBLIC UTILITIES COMMISSION
Inquiry into Revisions to The Basic
Service Calling Area Rule, Chapter 204.

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. Summary

We open this inquiry to examine whether to revise or replace Chapter 204, the Basic Service Calling Area Rule (BSCA).

II. Background

Chapter 204, effective June 25, 1994, requires all local exchange companies (LECs) in Maine to analyze residential toll traffic data in each exchange every five years, to determine if exchanges meet the rule's threshold requirements to expand their local calling areas. The 1994 cycle resulted in 38 initiating exchanges receiving expanded calling areas. The 1999 cycle resulted in only four additional exchanges receiving expanded calling areas. The Commission is concerned that Chapter 204 may no longer address the expanding calling area needs of local telephone customers. In addition, the Commission continues to receive contacts, complaints, and requests for waivers of the rule from customers who feel that their local calling area does not provide access to services in their community of interest.¹

There are generally four categories of "calling area problems." The first is where the calling pattern of a pocket area of an exchange differs from the rest of the exchange or where multiple communities of interest exist.² This situation frequently occurs when telephone exchange boundaries do not match municipal boundaries. The problem is only partially resolved by the Municipal Calling Service (MCS), under which a customer

¹ For the period, 6/1/97 to 8/21/00, the PUC Consumer Assistance Division received three informal complaints, 61 specific requests for calling area expansion information, and 198 general information contacts regarding BSCA issues. There are currently three formal cases regarding BSCA expansion before the Commission (Docket Nos. 99-324, 99-712, and 2000-121).

² A community of interest may be defined as that area that contains municipal offices, elementary and secondary schools, local shopping or commercial facilities, community medical facilities, police and fire departments, and employment opportunities.

can make a flat-rated, local call to the exchange containing municipal offices where the customer pays taxes.³

The second problem concerns the school community. Customers complain that they cannot call or be called from the school their children attend. Classmates complain that they cannot call each other for school and social matters without making a toll call. Additionally, as children advance and change schools, they may attend schools in different exchanges.⁴

The third problem area is a "parity" issue. The BSCA rule has created "hub and spoke" calling areas under which small communities surrounding a large community (i.e. Portland or Bangor) can call the large community but cannot call each other. In some cases, the small community can call only the large one but not immediately adjacent areas. The problem is exacerbated by the fact that the large community is able to call all of the small surrounding communities. In other cases, the smaller community can call the larger exchange but not intervening exchanges (i.e. skipping over the exchange in between).

The fourth problem is single-exchange calling areas. The PUC recently reported to the Joint Legislative Utilities and Energy Committee (U&E) that 17 exchanges in Maine do not have flat-rated, local calling to any other exchange, and the legislature has charged the Commission with examining the situation further.⁵ Four exchanges are of particular concern (Liberty, Palermo, Washington, and West Enfield) because they have split communities of interest and will likely not meet the rule's requirements to expand their calling area.⁶ These four exchanges do not have optional calling plans to

³ "Municipal Calling" service is a Commission policy that all calls from a telephone in a particular municipal civil division to another telephone within the same municipal civil division are included in a customer's basic-service calling area. Chapter 204, Part II(I).

⁴ The school community and municipal boundary issues prompted the Commission to include in the current BSCA rule the basic coin rate and the Circle Calling plan as means of providing remedies. The Circle Calling plan is no longer effective in reducing toll charges because the plan's per minute rate is higher than other instate long distance calling plans, and the basic coin rate only addresses calling home from school by students.

⁵ Resolves 1999, Chapter 32. **Sec. 1. Examination of issues; report. Resolved:** That the Public Utilities Commission shall undertake an examination of single-exchange, flat-rate, basic service calling areas and shall develop proposals for expanding those areas. The commission shall report its findings and proposals to the Joint Standing Committee on Utilities and Energy by December 31, 1999. The Joint Standing Committee on Utilities and Energy may report out legislation concerning basic service calling areas to the Second Regular Session of the 119th Legislature.

⁶ The West Enfield exchange will receive an expansion on October 1, 2000, with premium calling to the Lincoln exchange.

other exchanges that help alleviate the problem. Of the other single-exchange calling area exchanges, six have such plans, while four are islands and three are remote areas.

Flat or unmeasured access to competitive internet service providers (ISP) has also been a recurring customer concern. While the proliferation of ISPs in Maine has lessened those concerns, the Commission still receives contacts and complaints regarding the number of available competitive ISPs in the smaller, more rural exchanges.

Previous expansions to basic service calling areas have been costly to implement, resulting in rates substantially above the current rates for the initiating exchange. The primary components of those costs have been lost revenues from access and toll charges.

Recent legislation, 35-A M.R.S.A. §7101-B, requires that intrastate access charges decrease to the federal interstate rate by May 30, 1999, and be adjusted every two years thereafter. At the time the law was enacted, Bell Atlantic's (now Verizon) average intrastate access rates were \$0.26 per minute, while the federally regulated interstate access rates were about \$0.07 per minute. The Commission approved a stipulation in Docket No. 94-123 (Reopened) that reduced Verizon's intrastate access rate to approximately \$0.053 per minute on May 30, 1999. The Commission will reduce access charges again, effective May 31, 2001. The current estimated federal interstate access rate is \$0.03 per minute and is expected to be approximately \$0.015 per minute by May 2001 and less than \$0.005 per minute within three years.⁷

Reductions in access rates, and the resulting lower toll rates, have two significant impacts on the expansion of local calling areas. First, high toll rates are directly responsible for requests for wider local calling areas because customers desire lower telecommunications bills. Lower toll rates decrease the charges for calling beyond the local area and thus mitigate to some extent the customer's burden. Second, lower access and toll rates reduce considerably the costs for implementing wider flat-rated, local calling areas to the LECs involved.

III. Request for Comments

In light of our experience operating under the current rule and the changing environment in which telecommunications carriers are operating, we believe it is an appropriate time to consider whether changes to the BSCA rule are needed. We have

⁷ See FCC 00-193: Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45. Released May 31, 2000.

identified a number of alternatives that we may consider, both individually and in combination:

1. change the BSCA rule requirements for the percent making calls and/or the number of calls necessary for expansion (e.g., 35% making two calls, etc.), or allow aggregation of the residential toll traffic to two (or more) exchanges, adding both exchanges to the premium area of the initiating exchange;
2. add skipped-over exchanges to premium calling areas;
3. include all MCS calling areas and routes in economy calling area;
4. implement statewide local calling with flat and measured pricing options;
5. designate calls to all contiguous exchanges and to those exchanges within three miles of any point in the home exchange as local. A similar plan is used in Vermont and abbreviated as the "H+3" plan;
6. adopt a Flat-Selective plan, under which customers choose a fixed number of exchanges to add to their local, flat-rated, calling area for an additional monthly rate, either per exchange or number of exchanges. The plan would be one-way and customers could alter their selections as their situations changed (children moving to different schools, for example). Northland Telephone Company previously suggested this solution for its Liberty area exchanges as a trial ("Pick a Point"). Flat-Selective could be a replacement for the Circle Calling Plan in Chapter 204 (Part IV), with the remainder of the rule unchanged;
7. change exchange boundaries to align with municipal boundaries;
8. implement Block-of-time optional toll calling plans. Similar plans are now offered by a number of LECs in Maine (i.e., China, Standish, and Saco River Telephone Companies); and
9. replace existing EAS/BSCA routes with "calling area zones" as follows (similar plans are used in West Virginia and Idaho):
 - All calls to contiguous exchanges and exchanges within 30 miles are non-toll and represent the extended calling area.
 - For customers not taking a flat option, calls within 30 miles are billed on a peak period, or daytime (or off peak, evening/weekend period) per minute rate equal to half the lowest priced toll rate.
 - Flat options include:
 - a. Home exchange flat
 - b. Home and contiguous flat
 - c. Home and existing calling area flat
 - d. Home and all extended calling area flat

- The flat options are priced progressively more as the flat calling area gets larger (rates approximately \$10-\$30 per month).

We ask interested parties to provide written comments on these alternatives. The comments should: a) address how the solutions deal with the problem areas described above; b) describe implementation issues and timing considerations; c) discuss cost impacts, including those occurring now and after access charge reductions in May 2001; d) suggest pricing strategies and rate design; and e) consider the impact of these (or other) alternatives on local and interexchange competition. Parties may offer additional solutions with emphasis on simplicity, customer choice and ease of use, effectiveness, and costs. Comments are due **October 31, 2000**, and should be mailed to the Commission or sent by e-mail to maine.puc@state.me.us. The Commission may also conduct a public workshop of interested parties. Chapter 204 can be found on the Commission website at: <http://janus.state.me.us/mpuc/rules/Part%202/ch204.pdf> or the Secretary of State's website at: <http://www.state.me.us/sos/cec/rcn/apa/65/chaps65.htm>

Accordingly, we

O R D E R

1. That an Inquiry be initiated into revisions of The Basic Service Calling Area Rule, Chapter 204;
2. The Administrative Director to provide notice of this inquiry to all incumbent local exchange carriers in the State of Maine; competitive local exchange carriers and competitive interexchange carriers that paid the Commission regulatory assessment in 1999; the lead complainant or contact person in Docket Nos. 88-320, 91-322, 94-291, 95-277, 96-402, 96-483, 97-132, 97-360, 97-529, 99-324, 99-712 and 2000-121; the Public Advocate; and the State Planning Office.
3. The posting of notice of this inquiry on the Commission's world wide web site: <http://www.state.me.us/mpuc>

Dated at Augusta, Maine this 12th day of September 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond